

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1144 – SB 1206

March 7, 2011

SUMMARY OF BILL: Increases the amount of income exempt from the Hall Income Tax (HIT) from \$1,250 to \$2,400 for single filers, and from \$2,500 to \$4,800 for joint filers, effective January 1, 2012.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$7,694,300/FY12-13 and Subsequent Years

Decrease Local Revenue – Net Impact - \$4,727,400/FY12-13 and Subsequent Years

Assumptions:

- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- A state sales tax rate of 7.0 percent and an average local option sales tax rate of 2.5 percent.
- According to the Department of Revenue, running the income tax return database for tax year 2010 indicates a 6.67 percent decrease in HIT collections. The Fiscal Review Committee staff does not have access to the data and information upon which this calculation is based and cannot independently verify its accuracy.
- The current Fiscal Review Committee estimate for HIT collections in FY11-12 is \$195,520,000. This number is assumed to remain constant in subsequent years.
- The recurring decrease in HIT collections will be \$13,041,184 (\$195,520,000 x 6.67%)
- Pursuant to Tenn. Code Ann. § 67-2-119, local governments are allocated 37.5 percent of all HIT collections; the state retains the remaining 62.5 percent.
- Given the HIT is due in April following the applicable tax year, and given the January 1, 2012 effective date for this bill, the first fiscal year impacted will be FY12-13.
- The recurring decrease in state revenue will be \$7,694,299 [(\$13,041,184 x 62.5%) - (\$13,041,184 x 50.0% x 7.0%)] beginning in FY12-13.
- The recurring decrease in local government revenue will be \$4,727,429 [(\$13,041,184 x 37.5%) - (\$13,041,184 x 50.0% x 2.5%)] beginning in FY12-13.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc